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TO RUEHC/SECSTATE WASHDC IMMEDIATE 7144  
INFO RUEHEE/ARAB LEAGUE COLLECTIVE IMMEDIATE  
RUEHTV/AMEMBASSY TEL AVIV IMMEDIATE 0794  
RHEHAAA/WHITE HOUSE WASHDC IMMEDIATE  
RUEATRS/DEPT OF TREASURY WASHDC IMMEDIATE  
RHMFISS/HQ USCENTCOM MACDILL AFB FL IMMEDIATE  
RHEHNSC/NSC WASHDC IMMEDIATE

C O N F I D E N T I A L SECTION 01 OF 02 DAMASCUS 000639

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NEA/ELA  
NSC FOR ABRAMS/DORAN/SINGH  
TREASURY FOR GLASER/LEBENSON  
EB/ESC/TFS FOR SALOOM

E.O. 12958: DECL: 02/13/2016  
TAGS: [ECON](#) [ETRD](#) [ETTC](#) [SY](#)  
SUBJECT: ALEPPO,S INDUSTRIALISTS GENERALLY UPBEAT

REF: 05 DAMASCUS 6544

Classified By: CDA Stephen Seche for reasons 1.5 b/d.

11. (C) Summary. During a recent visit to Syria,s second city, Aleppo, we found the business community there to be guardedly optimistic and pursuing expansion plans in a range of existing and new business sectors. The Aleppines attributed their less than critical assessments of the Bashar al-Asad regime to: the reduction of obstacles to business and contaminant corruption resulting from a reduced Baath Party and secret police presence in daily life and business; President Asad taking a personal interest in the city; and an atmosphere of increased personal freedom. The optimism was balanced by anger over on-going tax raids, the loss of business resulting from the SARG confronting Lebanon, and the potential return of economic instability. End summary.

12. (C) During a three-day visit to Syria,s industrial capitol, Aleppo, a team from Embassy Damascus, economic/commercial section met with a wide range of manufacturers and business people from textiles, ready-made garments (RMG), pharmaceuticals, industrial agriculture, and tourism. All were actively pursuing expansion plans in spite of expressing some concern about the current state of the economy. All criticized the economic team surrounding President Bashar al-Asad as ineffective, but did not blame Asad himself for his government's failings. Our general impression was that Aleppo enjoyed greater economic vitality and the business community was more optimistic than their Damascene counterparts. That could be due, in part, to the timing of our visit, however, as even in the capital the business climate has fluctuated with the international situation and is arguably better now than it has been in months.

13. (C) A number of contacts pointed out to us that relations between Aleppo and the SARG have improved markedly since Bashar al-Asad took over the presidency. Many remarked that they feel Asad has reached out to the city in an effort to mend the fences broken by his father. Whereas Hafez al-Asad variously persecuted and ignored the city, never making an official visit during his entire tenure, Bashar visits regularly and is seen unexpectedly at restaurants or other popular public areas with no apparent security detail. Additionally, Asad has made a number of official visits to Aleppo which our interlocutors credited with improving the city,s basic infrastructure, including water and roads.

14. (C) Our interlocutors also gave Asad credit for shrinking the presence of previously intrusive state entities like the Baath Party and the security services. According to businessmen in Aleppo, both entities had long been significant obstacles to their enterprises with Baath Party members able to claim preference in any business transaction and security forces sowing corruption. With the overt presence of both reportedly receding, businessmen claim to feel increasingly emboldened to demand their rights in business and to speak out publicly against corruption. Emphasizing the reduced presence of the security services, one businessman recited to us how he found a placard pasted on the outside of his place of business one recent morning that was calling for violent revolution. The businessman said that even though he had nothing to do with the poster, in previous years he would have faced an extended period of incarceration simply because the building the offending poster was glued to belonged to him. Further, everyone in the building would have been arrested and interrogated by the mukhabarat, according to him. Given the changed environment, the businessman was, in this instance, able to simply tear down and discarded the poster without suffering any unwanted visits by state security officials.

15. (C) Balancing this optimism was bitter criticism over the rapid devaluation of the Syrian Pound (SYP) this last fall and the SARG,s failure for months to manage the decline (reftel). Some manufacturers told us that the devaluation had caused them to slow down and even suspend operations as it was impossible for them to gauge the real value of the currency. Additionally, there was both concern and deep anger over tax raids that were occurring at various locations around the city during our visit. Though not a new

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phenomenon, the extent of the raids and tactics used by the SARG were alarming the manufacturing community. For the first time in memory, the President of the Chamber of Industry's factory was raided. The SARG was also offering ten percent of unpaid taxes identified as a bounty for informants, which one manufacturer told us had already resulted in someone attempting to blackmail him. Manufacturers also commented that the SARG,s current stand off with the international community had caused some of their foreign customers to seek guarantees before placing new orders. This was in part the reason two manufacturers we talked to are pursuing opening new factories in Egypt.

16. (C) Comment. Asad has built some good will with the business community in Aleppo, but perhaps more important is the increasing feeling of personal freedom in Aleppo's business community. To keep business leaders from using their new-found liberty to criticize President Asad, the regime will have to deliver in a number of concrete ways. One, the currency will have to remain stable, which could prove difficult if or when Syria returns to the international spotlight in a negative context. Second, export markets, especially Europe, will have to remain open. Finally, the SARG will have to find a way to meet the increasing budgetary burden of maintaining its very generous diesel and electricity subsidies that benefit Aleppo,s industrialists to a greater extent than any other single group.  
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